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021520 SECURITIES AND EXCHANGE COMMISSION DC 92-2260

Q-35832 Washington, DC 20549

FORM 10-Q

(Mark One)

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended February 28, 1992

or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from_____

to_____

Commission File
Number 33-16098

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THE EARTH TECHNOLOGY CORPORATION (USA)

(Exact name of registrant as specified in its charter)

Delaware	33-0244112
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 West Broadway, Suite 5000 Long Beach, California	90802-5785
(Address of principal executive offices)	(Zip Code)

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Q-Data Corp. - St. Petersburg, FL

Registrant's tel. number, including area code: (310) 495-4449

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Number of shares of common stock, $.10 par value, issued and outstanding as of April 10, 1992 is 2,970,060.

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THE EARTH TECHNOLOGY CORPORATION (USA)
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 28 1992 Unaudited	August 30, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 1,431,210	$ 1,264,310
Contract receivables (Note 2), less allowance for doubtful accounts of $463,446 in February 1992 and $666,684 in August 1991	13,179,907	17,743,018
Notes and other receivables	235,067	173,253
Prepaid expenses	1,428,406	369,077
Income taxes receivable	1,336,313	1,024,106
Deferred income taxes	793,446	793,446
Total current assets	18,404,349	21,367,210
EQUIPMENT AND IMPROVEMENTS		
Field and laboratory equipment	2,108,102	2,292,394
Office furniture and equipment	5,248,217	5,064,519
Transportation equipment	678,527	893,686
Equipment under capital leases	1,902,790	2,113,111
Leasehold improvements	767,894	890,466
Total	10,705,530	11,254,176
Less accumulated depreciation and amortization	6,995,919	7,267,220
Equipment and improvements, net	3,709,611	3,986,956
Costs in excess of assets acquired	748,226	755,286
Investments	805,774	805,774
Other assets	384,188	381,977
Total assets	$ 24,052,148	$27,297,203

See Notes to Consolidated Financial Statements.

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THE EARTH TECHNOLOGY CORPORATION (USA)
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 28, 1992 Unaudited	August 30, 1991
CURRENT LIABILITIES		
Note payable to bank	$ 1,500,000	$ 2,500,000
Accounts payable	3,118,898	4,914,676
Billings in excess of revenues	541,766	865,053
Accrued payroll and related liabilities	2,070,666	2,468,816
Other accrued liabilities	2,403,402	1,092,358
Current portion of long-term debt	736,310	964,463
Total current liabilities	10,371,042	12,805,366
Long-term debt	1,910,254	2,273,668
Other long-term liabilities	2,607,316	2,541,084
STOCKHOLDERS' EQUITY		
Preferred stock - $.10 par value, 5,000,000 shares authorized; none issued		
Common stock - $.10 par value; 20,000,000 shares authorized; 3,041,372 shares issued and 2,970,060 shares outstanding at February 28, 1992 (2,955,873 at August 30, 1991)	304,137	304,137
Additional paid-in capital	8,878,616	8,863,901
Retained earnings	238,096	813,724
Less Treasury stock 71,312 shares February 28, 1992 (85,449 at August 30, 1991), at cost	(257,313)	(304,677)
Total stockholders' equity	9,161,536	9,677,085
Total liabilities & equity	$24,052,148	$27,297,203

See Notes to Consolidated Financial Statements.

THE EARTH TECHNOLOGY CORPORATION (USA)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	February 28, 1992	March 1, 1991
Gross revenues	$11,748,162	$13,930,910
Less direct project costs	3,959,802	4,629,982
Net revenue	7,788,360	9,300,928
Other costs and expenses:		
Direct labor and related costs	3,064,952	3,347,646
Indirect costs	4,247,224	4,533,729
Selling, general, and administrative expenses	959,874	1,041,117
Restructuring charges	417,000	---
Total operating expenses	8,689,050	8,922,492
Operating income (loss)	(900,690)	378,436
Other income (expense)	5,056	(93,578)
Interest expense	(84,661)	(176,272)
Income (loss) before income taxes	(980,295)	108,586
Provision (credit) for income taxes	(341,952)	56,634
Net income (loss)	$ (638,343)	$ 51,952
Net income (loss) per share	$(0.22)	$0.02
Weighted average shares outstanding (Note 1)	2,970,311	2,951,718

See Notes to Consolidated Financial Statements.

THE EARTH TECHNOLOGY CORPORATION (USA)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended	
	February 28, 1992	March 1, 1991
Gross revenues	$25,655,977	$27,544,332
Less direct project costs	8,828,359	8,901,183
Net revenue	16,827,618	18,643,149
Other costs and expenses:		
Direct labor and related costs	6,655,055	6,545,083
Indirect costs	8,799,960	9,497,148
Selling, general, and administrative expenses	1,632,115	2,416,377
Restructuring charges	417,000	---
Total operating expenses	17,504,130	18,458,608
Operating income (loss)	(676,512)	184,541
Other income (expense)	7,109	(53,146)
Interest expense	(202,755)	(288,349)
Loss before income taxes	(872,158)	(156,954)
Credit for income taxes	(296,534)	(26,782)
Net loss	$ (575,624)	$ (130,172)
Net loss per share	$(0.19)	$(0.04)
Weighted average shares outstanding (Note 1)	2,961,869	2,959,451

See Notes to Consolidated Financial Statements.

THE EARTH TECHNOLOGY CORPORATION (USA)
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended	
	February 28, 1992	March 1, 1991
Cash flows from operating activities:		
Net loss	$ (575,624)	$ (130,172)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	649,167	884,788
Equity in losses of unconsolidated subsidiaries	---	76,665
Issuance of common stock under restricted stock and stock option plans	41,415	7,292
Changes in assets and liabilities net of acquisitions:		
Contract receivables	4,813,502	(1,252,848)
Provision for losses on contract receivables	(250,391)	58,361
Notes and other receivables	(61,814)	(135,819)
Prepaid expenses	(1,059,329)	(571,167)
Income taxes receivable	(312,207)	---
Accounts payable	(1,795,778)	1,803,832
Billings in excess of revenue	(323,287)	32,865
Accrued payroll and related liabilities	(398,150)	(362,844)
Other accrued liabilities	1,311,044	638,154
Income taxes payable	---	(463,016)
Other long-term liabilities	66,227	(128,806)
Cash provided by operating activities	2,104,775	457,285
Cash flows from investing activities:		
Disposal of equipment and improvements	148,228	8,513
Additions to equipment and improvements	(520,049)	(666,356)
Decrease in other assets	54,849	82,498
Payment for acquisition, net of cash acquired	---	(87,203)
Cash used by investing activities	(316,972)	(662,548)

(Continued)

Cash flows from financing activities:

Net increase (reduction) of note payable to bank	(1,000,000)	2,000,000
Additions to long-term debt	112,000	122,147
Reduction of long-term debt	(703,567)	(945,435)
Repurchase of common stock	(29,336)	(67,412)
Forfeiture of stock options	---	(5,180)
Cash (used) provided by financing activities	(1,620,903)	1,104,120
Net increase in cash and cash equivalents	$ 166,900	$ 898,857
Cash and cash equivalents at beginning of period	1,264,310	1,781,201
Cash and cash equivalents at end of period	$ 1,431,210	$ 2,680,058
Interest paid during period	$ 168,340	$ 313,907
Income taxes paid during period	$ 29,814	$ 436,234

Supplemental schedule of noncash investing and financing activities:

In the six month period ended February 28, 1992, the Company purchased certain assets and certain on-going business of Environmental Methods, Inc. In conjunction with this acquisition, the Company issued $50,000 in common stock for the assignment of certain current and future accounts.

See Notes to Consolidated Financial Statements

THE EARTH TECHNOLOGY CORPORATION (USA)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) and disclosures which are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes that are contained in the Company's Annual Report for the fiscal year ended August 30, 1991. The results of operations for the three-month and six month periods ended February 28, 1992 are not necessarily indicative of the results of the full fiscal year.

Earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding.

NOTE 2 - CONTRACT RECEIVABLES

Contract receivables consist of the following:

	February 28, 1992	August 30, 1991
U.S. Government:		
Amounts billed	$ 4,822,981	$ 5,816,058
Unbilled contract costs and fees	1,922,235	2,880,473
Retentions, due upon completion of contracts	636,689	369,539
Total U.S. Government	7,381,905	9,066,070
Commercial:		
Amounts billed	3,882,229	6,157,594
Unbilled contract costs and fees	2,092,543	3,037,716
Retentions, due upon completion of contracts	286,676	148,322
	6,261,448	9,343,632
Less allowance for doubtful accounts	463,446	666,684
Net Commercial	5,798,002	8,676,948
	$ 13,179,907	$17,743,018

The unbilled contract costs and fees which were not billable at February 28, 1992, under specific conditions of the applicable contracts, are expected to be billed within one year.

Amounts not paid by customers pursuant to retention provisions in contracts will be due upon completion of the contracts and acceptance by the customer.

NOTE 3 - CREDIT AGREEMENT

In February 1992, the Company revised its bank credit agreement. The agreement provides the Company with a maximum borrowing of $6,300,000, subject to certain quarterly covenants. The agreement is secured by substantially all of the Company's assets.

The Revolving Credit Agreement borrowings are based on eligible accounts receivable to a maximum of $4,000,000. The line is an interim agreement expiring on May 1, 1992 when the Company expects to sign a one year agreement based on the same terms. The agreement requires the Company to maintain certain covenants measured on a quarterly basis. At the quarter ended February 28, 1992 the Company was not in compliance with one of the covenants and the Bank waived the technical non-compliance for the period. The Company expects to be able to operate within the covenants in the future. The Company has an outstanding balance of $1,500,000 under the Revolving Credit Agreement at February 28, 1992 versus $2,500,000 at August 30, 1991.

The Term Loan Agreement is a $2,000,000 five year loan with a balance outstanding at February 28, 1992 of $1,300,000 versus $1,500,000 at August 30, 1991. The Company also has a five year equipment financing facility for a maximum amount of $1,000,000. There was $502,000 outstanding under this facility at February 28, 1992 compared to $440,000 outstanding at August 30, 1991.

NOTE 4 - CONTINGENCIES

There are certain legal actions pending against Alternative Ways, Inc., a wholly-owned subsidiary of the Company, which have arisen in the normal course of operations, some of which claim substantial monetary damages. In one action, the subsidiary has been named as a co-defendant in a suit which alleges in excess of $20 million in compensatory damages and up to $100 million in punitive damages for breach of contract and other contractual allegations in the performance of asbestos abatement services. The Company has denied liability in each case and authorized a vigorous defense; however, the outcome of the cases cannot be determined at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company had cash balances of $1,431,000 at February 28, 1992 compared to $1,264,000 at August 30, 1991. Cash flow from operations totalled $2,105,000 for the first six months of fiscal 1992. Capital expenditures for the first six months of fiscal 1992 totalled $520,000 and are expected to total approximately $1,200,000 for the fiscal year, principally for field equipment and computers.

Historically, major sources of working capital have been funds generated internally, borrowings under a Revolving Agreement Credit and Term Loan, and utilization of capital and operating leases. The current maximum bank borrowing allowable is $6,300,000, subject to certain quarterly covenants.

The Revolving Credit Agreement borrowings are based on eligible accounts receivables to a maximum of $4,000,000. The line is an interim agreement expiring on May 1, 1992 when the Company expects to sign a one year agreement based on the same terms. The agreement requires the Company to maintain certain covenants measured on a quarterly basis. At the quarter ended February 28, 1992 the Company was not in compliance with one of the covenants and the Bank waived the technical non-compliance for the period. The Company expects to be able to operate within the covenants in the future. The Company has an outstanding balance of $1,500,000 at February 28, 1992 versus $2,500,000 at August 30, 1991.

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Management believes the amounts available under the Company's Revolving Credit Agreement, Term Loan and equipment financing facility, together with the funds generated by operations will be sufficient to meet the Company's anticipated working capital requirements.

Results of Operations

Second Quarter Comparison for the Fiscal Years 1992 and 1991

Gross revenues for the second quarter were down 15.7% to $11,748,000 in 1992 versus $13,931,000 in 1991. The decrease was primarily attributable to a wind down of the asbestos consulting segment and a decline in commercial revenues of 20.0% in fiscal year 1992 from fiscal year 1991 due to recessionary softness in the commercial and residential business sectors. These declines were offset by slight increases in other business sectors. Net revenue declined 16% for the same period.

Direct labor and related costs rose from 36% in 1991 to 39% in 1991 due to an increase in lower margin government projects as a percent of the total business, the discontinuation of the higher margin asbestos business and general margin pressure due to the weak economy.

Indirect costs were down 6.3% compared to the year earlier quarter while Selling, General and Administrative expenses declined by 7.8% from the prior year primarily as a result of the wind down of the asbestos consulting activities. The Company planned to restructure its operations by disposing of its analytical laboratory. A one-time charge of $417,000 was provided for the restructuring in the quarter.

The Company reported a net loss of $638,000 for the quarter versus net earnings of $52,000 for the 1991 second quarter. This was caused primarily by the operating losses and a restructuring charge connected with the planned disposal of the analytical laboratory, the reduced volume of the commercial division and the narrowing of margins caused by project mix and pressures of the weak and stagnant economy.

On March 13, 1992 the Company completed the sale of its analytical laboratory to an established national laboratory services provider for cash and notes. The agreement provides for certain adjustments in the event the Company does not procure certain minimum quantities of laboratory services over the next two years subject to the purchaser meeting defined performance standards. The Company has provided for estimated adjustments in connection the minimum quantity requirements.

Part II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

On March 27, 1992 the Board of Directors appointed Richard Dadamo Chief Executive Officer of the Company. Jack Schoustra the Company's former Chief Executive Officer, remains as Chairman of the Board.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None
(b) Reports on Form 8-K - None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Earth Technology Corporation (USA)
(Registrant)

Date: April 10, 1992

By: _____
Patricia E. Montgomery
Corporate Secretary

Date: April 10, 1992

By: _____
Creighton K. Early
Chief Financial Officer
(Principal Financial
and Accounting Officer)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Earth Technology Corporation (USA)
(Registrant)

Date: April 10, 1992

By: _____
Patricia E. Montgomery
Corporate Secretary

Date: April 10, 1992

By: _____
Creighton K. Early
Chief Financial Officer
(Principal Financial
and Accounting Officer)